

Chief, S-1
THRU : Chief, D-3
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25X1A8a

13 May 1957

[REDACTED] Targets on Hungary

OBJECTIVE

All targets listed below are sought under objective III d. of ICID 4/6, dated 30 October 1956:

"The strengths and weaknesses of the Soviet (including satellite) economy, with particular reference to its ability to support a major war; the situation, character and magnitude of current economic development programs, their implementation and their effect upon the economic, political, and military strength of the Soviet Bloc; the capabilities and vulnerabilities of the Soviet and satellite internal communications system."

BACKGROUND

Hungarian foreign trade is undergoing a period of reorganization and possibly of redirection. Since the inception of the Kadar regime, individual enterprises have been given authority to deal directly with foreign buyers and sellers; sizable credits from the USSR and other Bloc members will tie the Hungarian economy more tightly to the Bloc in the future. Detailed plans for the future geographic distribution of Hungarian foreign trade constitute an urgent priority.

Detailed information on the relationship between internal and foreign trade prices, the extent of Hungarian indebtedness to Bloc and Western countries (and payments of interest and principle on that indebtedness) details of future foreign trade plans and comprehensive comparisons of export and import prices of various commodities are not currently available. For example, because the domestic price system is insulated from foreign influences, the price at which a foreign trade monopoly purchases an export commodity from the producing enterprise is typically much higher than the price it receives (when converted into forints at the official exchange rate) from a foreign buyer.

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The difference, a price equalization payment or subsidy, is made up from a special price equalization fund maintained in ARPOLITIKAIOSZTALE. An annual report of this organization, showing the forint price of exports, the ruble receipts from the same exports, and the subsidy paid by commodity and country of export (and the same information, mutatis mutandis, for imports) is a priority target.

Individual Targets

A. Strengths and Weaknesses of the Economy.

Basic Guidance

Volume and character of foreign trade; commercial and financial relations with Bloc and non-Bloc countries; copies of Hungarian trade agreements or protocols with Bloc countries containing details as to commodities, prices and payments arrangements; classified copies of the current five-year or any annual foreign trade plans.

Detailed data on foreign trade prices, giving quantities, values and countries of origin or destination for commodities; detailed information on the relationship between internal and foreign trade prices; Hungarian indebtedness to Bloc and non-Bloc countries; Hungary's foreign exchange and gold position.

<u>R.</u>	<u>Target</u>	<u>Location</u>
1.	Classified documents showing relationship between internal and foreign trade prices.	Ministry of Finance ARPOLITIKAIOSZTALE, or individual foreign trade monopolies, Budapest.
2.	Documents relating to Hungarian indebtedness to Bloc or non-Bloc countries and payments thereon. Data on Hungary's foreign exchange or gold holdings. Documents relating to the settlement of trade balances, annually, with Bloc countries.	National Bank of Hungary, Ministry of Finance, Budapest.

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No.	Target	Location
3	Classified version of foreign trade portion of five-year plan or any of the annual plans.	State Planning Commission, Ministry of Foreign Trade.

B. Multilateral, Bloc-wide Economic Developments

Basic Guidance

It has been reported that, under the auspices of COMECON, a system of multilateral clearing of foreign trade balances for intra-Bloc trade is to be established. The agent to execute these multilateral settlements is to be Gosbank in Moscow.

No.	Target	Location
4	Classified reports of plans for the organization and operation, in detail, of a system of multilateral Bloc settlements; classified reports of actual settlements.	National Bank of Hungary; Gosbank, COMECON minutes.

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